

**Testimony before The House Committee on Financial Services,
Subcommittee on Oversight and Investigations
and
The House Ways and Means Committee,
Subcommittee on Social Security**

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Introduction

Chairwoman Kelly, Chairman Shaw, members of the committee, thank you for inviting me to testify. I am Tom Lehner, Executive Vice President of American Financial Services Association. AFSA is the leading trade association for market funded financial services companies. Our 400 member companies include consumer and commercial finance companies, auto finance/leasing companies, mortgage lenders, credit card issuers and industry suppliers.

I am here to address the issue of Identity Theft using Social Security numbers, and specifically the industry's use of the Social Security Administration's Death Master File (DMF).

Social Security numbers are the most unique identifier of individuals in the United States. The financial services industry uses these identifiers for a variety of reasons, such as customer verification, credit checks, bankruptcy filings, and monetary judgments such as tax liens. Unfortunately, the use of Social Security numbers is not secure. They are readily available and indeed used by companies, state and local governments, colleges, and even by consumers who print their numbers on their checks.

Thieves steal the Social Security numbers, and ultimately the identity of individuals both living and dead.

Financial institutions, such as credit card companies and banks, have incurred significant losses resulting from misuse of social security numbers. Consumers have also experienced monetary losses, impaired credit, and legal problems because others have amassed debts using their identities.

Industry use of the Death Master File

Financial firms have an obvious interest in making sure that individuals who open accounts are who they say they are. Companies rely on the Social Security Death Master File to protect against theft. In most cases, firms do not directly subscribe to the Death Master File, but access it indirectly via credit reporting agencies or other vendors who subscribe to it. This is both more efficient and less costly to the consumer.

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For example, bank issuers of credit cards routinely obtain consumer reports on card applicants from credit reporting agencies. Because the credit bureaus periodically update their files by comparing information to the Death Master File, the credit report will contain an indicator if the individual has been reported as deceased, and the bank can use this information to decline the application or investigate the circumstances.

Other financial firms, such as securities broker-dealers, also access the Death Master File as part of the account opening process. Third party vendors who utilize Death Master File information typically do this screening.

Consumer lenders regularly use information from credit reporting agencies to review and adjust the status of existing accounts as well. It also helps to verify customers seeking to refinance existing mortgages, or who are interested in other services offered by the institution.

Naturally, financial firms have other sources of information that might indicate that a customer has died and that access to the account should be frozen or terminated. The principal source is family members, who call to notify the institution of the death of the customer, and may request changes in the name on the account or the address where statements are sent. Lawyers and estate executors are another source of this information.

Problems with the Death Master File

Whether financial institutions obtain information about deceased individuals directly from the Death Master File, or indirectly from other subscribers to the File, they have an interest in obtaining accurate and current data.

Delays between the date on which an individual dies and the date on which this information is made available to the public through the Death Master File increases the opportunities for identity thieves to defraud survivors, beneficiaries, and financial institutions.

One of the disadvantages of the current Social Security numbering system is that the agency is not always immediately notified upon the death of an individual. There appears to be no requirement for local officials to notify SSA when someone dies.

Despite their best intentions, having incomplete and incorrect information makes it very difficult for the Social Security Administration to issue an accurate Death Master File.

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Steps the industry has taken

Many companies have established internal processes that deal with fraud and identity theft. In addition, companies work with customers who are victims of identity theft, and they also work with prosecutors to pursue those responsible.

Suggested improvements

AFSA supports efforts to encourage the Social Security Administration to obtain death information promptly and report it more frequently.

We also support the continued dialogue between credit reporting agencies and financial institutions to facilitate the flow of Death Master File information in bureau files. For example, there may be a need to change procedures so that when creditors report account status information to credit reporting agencies, and this information is placed in a file of a customer about whom the bureau has received death information, the creditor is made aware of that fact on a timely basis.

We believe that more financial institutions would consider subscribing to the data directly if the information provided was real time and accurate. Whether financial institutions obtain information about deceased individuals directly from the DMF, or indirectly from other subscribers to the DMF, it is in our interest and that of the consumer that we obtain correct and current data.

We're hopeful that the Social Security Administration will make both the procedural and policy changes necessary to ensure the security of our individual unique identifiers, our Social Security numbers. Thank You.